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IN THE MATTER OF

**Abitibi Power & Paper Company,
Limited**

FIFTH REPORT
of Receiver and Manager

25th March, 1937

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PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

FIFTH REPORT of Receiver and Manager

Attached hereto is the audited Balance Sheet of Abitibi Power & Paper Company, Limited, as of date December 31st, 1936, together with statement of the results of operations for the year ending on such date; also attached are audited Balance Sheets and Profit and Loss Accounts as of the same date of certain of the subsidiaries of the Company.

Newsprint paper shipments by Canadian and Newfoundland mills amounted in 1936—according to report—to approximately 3,510,589 tons, as compared with 3,064,057 tons in 1935, an increase of 446,532 tons, or about 15%. Of such increase approximately 122,157 tons were shipped to customers overseas and 324,375 tons applied to meet increased demands of United States and Canadian customers.

During 1936 newsprint paper produced by Abitibi Power & Paper Company, Limited, and its subsidiaries amounted to 355,274 tons, an increase of 66,178 tons over that produced by the Company in 1935; such paper was manufactured—

176,733 tons at the Iroquois Falls (Ontario) mill,
82,148 tons at the Sault Ste. Marie (Ontario) mill,
43,686 tons at the Port Arthur (Ontario) mill, and
52,707 tons at the Pine Falls (Manitoba) mill.

Operations were increased from a one machine to a two machine basis at the Pine Falls mill on July 1st, 1936, and at the Port Arthur mill on October 1st, 1936.

In 1935 Abitibi and its subsidiaries produced 289,096 tons of newsprint paper, of which 35,813 tons were sold to other Canadian manufacturers for shipment to their customers: of the 355,274 tons produced by Abitibi and its subsidiaries in 1936, 62,612 tons were sold to other manufacturers and shipped to customers of the same. With a substantial increase looked for in demands for newsprint paper during 1937 present expectation is that the sales of Abitibi and its subsidiaries will exceed 425,000 tons of newsprint in such period, and that with an important increase—already obtained—in the volume of direct contracts with customers, sales to other manufacturers will likely be less in 1937 than they were in 1936.

During 1936 the general contract market base price for newsprint in the United States, was \$41-\$42 per ton f.o.b. mill (or \$1.00 per ton more than in 1935) with costs of freight to destination allowed by the manufacturer; costs to Abitibi and its subsidiaries of pulpwood and supplies used in manufacture, together with freight charges on manufactured products, were on a relative basis approximately \$100,000 higher in 1936 than in 1935.

For the year 1937 the general contract market base price for newsprint in the United States is \$42.50-\$43.50 per ton (or \$1.50 per ton more than in 1936) f.o.b. mill, with costs of freight to destination allowed by the manufacturer; costs of manufacture will be higher in 1937 than in 1936, but the extent of the increase in such costs cannot be accurately determined at the date of this Report.

Sulphite pulp produced by the Smooth Rock Falls mill of the Company amounted in 1936 to 61,485 tons, as compared with 45,949 tons in 1935, an increase of 15,536 tons. In March 1935 the market price of bleached sulphite pulp was reduced from \$55 per ton (New York dock) to \$50 per ton; on July 1st, 1936, it was increased to \$52 per ton, and in January 1937 to \$54 per ton; present expectation is that it will not be less than \$58 per ton, for the period of three months commencing April 1st, 1937.

In March 1936—with the approval of the Supreme Court of Ontario—a compromise was made of the indebtedness owing by Abitibi in respect of the purchase of the shares of the capital stock of Thunder Bay Paper Co., Limited, and such liability of \$2,727,916.67, with accrued interest thereon, was discharged by a cash payment of \$2,000,000, plus \$40,918.75 accrued interest: funds to make the cash payment were obtained by the issue of Receiver's Certificates, and increase in the amount of such Certificates was later liquidated out of income from operations for the year.

In March 1936, a wooden dam, which served to create a pond on the Ste. Anne River, for the storage of pulpwood for the use of the Ste. Anne mill, was largely destroyed by floods. As such log pond had proved to be unsafe at other times in the past, construction of an 8½ mile flume, to provide a safe means of transporting pulpwood to such mill, has been entered upon with the approval of the Court. It is estimated that such flume will cost about \$250,000, and that it will be completed in August 1937.

In the Fourth Report of the Receiver and Manager, issued under date of May 12th, 1936, reference was made to a statement by the Honourable Peter Heenan, Minister of Lands and Forests of the Province of Ontario, that the Ontario Government desired to have Abitibi reorganized as soon as reasonably practicable. Before such could be done it was necessary to re-arrange with the Province certain of the timber concessions and power rights of the Company and also to adjust certain claims of The Hydro-Electric Power Commission of Ontario against Abitibi and its subsidiary Abitibi Electric Development Company, Limited; in addition it was deemed necessary to obtain engineering reports relative to the Company's properties and information as to what improvements can be made thereto with advantage—to determine what amount of new moneys must be obtained to provide the Company with funds to make such improvements and to give it adequate working capital; also to ascertain the terms and conditions upon which such new moneys could be secured. Under authority of Court, engineers were employed by the Receiver and Manager to make such reports and the same have been largely completed; substantial progress has been made in negotiations with the Province with respect to the re-arrangement of the timber and power rights of the Company and adjustment of the claims of The Hydro-Electric Power Commission of Ontario. Information has been prepared as to the improvements which it is believed can be made with advantage to the Company's properties and the estimated costs of the same. Certain tentative plans of reorganization have been drawn up for discussion and consideration when the time becomes appropriate to do so. Under the above circumstances expectation is that it will be possible in the near future to put forward a plan for reorganization of the Company's affairs.

A comparison of Receiver's Current Assets and Liabilities as of December 31st, 1935 and December 31st, 1936 is as follows :

RECEIVER'S CURRENT ASSETS :

These amounted on December 31st, 1935, to.....	\$6,373,817.35	
On December 31st, 1936, they amounted to.....	6,617,827.88	
an improvement of.....		\$244,010.53

RECEIVER'S CURRENT LIABILITIES :

These amounted on December 31st, 1935, to.....	\$4,610,966.80	
On December 31st, 1936, they amounted to.....	4,376,526.50	
an improvement of.....		234,440.30
making a total improvement for the year of.....		<u>\$478,450.83</u>

Such improvement was after payment in 1936 of the sum of \$2,000,000 cash in settlement of the indebtedness owing by Abitibi in respect of the purchase of the shares of the capital stock of Thunder Bay Paper Co., Limited.

Included in Receiver's Current Assets are inventories of paper, pulp, pulpwood and supplies to the amount of \$3,072,700.96: this amount is after deduction of \$300,000 set up as a reserve and a protection against unforeseen contingencies—such reserve is referred to in the report of May 12th, 1936.

As of date December 31st, 1935, approximately \$200,000 stood deducted from the amount of receivables then on hand as a special reserve to cover possible bad debts. During 1936 this reserve was deemed unnecessary—it was therefore written back and added to the surplus of the Company prior to Receivership.

Attached hereto as Exhibit 1-B is a statement showing the results of operations of Abitibi for the twelve months ending December 31st, 1936. Costs of carrying all shut-down mills and losses during the year of wholly owned subsidiaries have been charged in such statement as expenses, while earnings of other wholly owned subsidiaries have been included as income. Calculated upon such basis the excess of income over expenditures, prior to charges for depreciation and bond interest, amounted in the year to \$2,240,474.64, as compared with \$1,105,185.51 in 1935. Items not incidental to operations and comprised of \$53,184.68 paid for engineering reports—for purposes of reorganization—and \$2,101.20, as expenses of the Liquidator of Abitibi, have been charged against and are deducted from such amount of \$2,240,474.64 on Exhibit 1-B.

Included in the expenses for the year was \$53,910.06 expended in connection with putting the Port Arthur and Ste. Anne mills in shape for operation.

RELATIVE TO BONDHOLDERS' COMMITTEE

The undersigned desires to express his appreciation of the continued service and assistance rendered by the Bondholders' Committee and in particular by the Advisory Committee thereof comprised of Mr. J. P. Ripley, President of Brown Harriman & Co. Incorporated, New York; Mr. W. H. Somerville, of The Mutual Life Assurance Company of Canada, Waterloo, Ontario; and Mr. Edward E. Reid, of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in connection with the Receivership.

This Report is supplementary to the Reports of the undersigned Receiver issued under date of February 28th, 1933, April 30th, 1934, April 15th, 1935, and May 12th, 1936, and in preparing it the Receiver has had in mind the desirability of providing information as certified to by the Auditors' Reports relative to the results of operations for the period of Receivership between January 1st, 1936, and December 31st, 1936; also of giving in a general manner a broad view of matters with which he has been called to deal. It is not intended, however, that the Report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company, Limited, or those of subsidiary Corporations, or to make any representations or convey the impression that all matters which have or may prove to have a bearing upon the affairs of the Companies are made mention of in the Report. Statements attached and figures mentioned in the Report are accurate so far as the undersigned has been able to ascertain but he does not represent or guarantee their correctness.

Toronto, March 25th, 1937.

G. T. CLARKSON,
Receiver and Manager.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

AND

SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

DECEMBER 31, 1936

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In the Matter of

ABITIBI POWER & PAPER COMPANY, LIMITED,

G. T. CLARKSON, Receiver and Manager:

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AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO

January 30, 1937.

G. T. CLARKSON, Esq., Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED,
TORONTO ONTARIO.

Dear Sir:

We have made an examination of the books and accounts of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, and have been furnished with all the information and explanations which we have required.

The profits and losses of all subsidiary companies (excepting Provincial Paper, Limited) for the year ending December 31, 1936, as shown by the accounts of such companies, have been incorporated in the attached statement of results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

Provision has not been made in the accounts of the Receiver and Manager for interest accruing since September 10, 1932, on the Five Per Cent. First Mortgage Gold Bonds, nor for depreciation of buildings, equipment and properties since that date, nor has provision been made for amortizing the book values of timber concessions; similarly, provision has not been made since September 10, 1932, in the accounts of the subsidiary companies (other than Provincial Paper, Limited and The G. H. Mead Company) for depreciation on buildings, equipment and properties, nor for amortizing the book values of timber concessions.

Subject to the foregoing remarks and to the values at which the investments in certain subsidiary companies, and in buildings, equipment, properties and timber concessions are carried, we report that, in our opinion, the accompanying balance sheet shows the true financial position as at December 31, 1936, of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given to us and as shown by the books.

Yours very truly,

PRICE, WATERHOUSE & CO.

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1936

(showing also for comparative purposes the assets and liabilities at December 31, 1935, as shown by the statement thereof contained in the fourth report of the Receiver and Manager dated May 12, 1936, after re-classifying certain accounts to make the figures comparable with those at December 31, 1936.)

	ASSETS	
	December 31, 1935	December 31, 1936
RECEIVER'S CURRENT ASSETS:		
Cash on hand and on deposit.....	\$ 223,300.77	\$ 393,489.42
Accounts receivable, customers', less reserve.....	689,211.38	800,366.68
Receivable from The G. H. Mead Company for newsprint shipments	794,518.48	775,065.29
Receivable from other subsidiaries represented by current assets.....	947,521.91	1,504,855.53
Inventories of paper, pulp, wood and supplies on the basis of cost less reserves, as determined and certified to by responsible representatives of the Receiver and Manager, and expenditures on logging operations.....	3,647,114.81	3,072,700.96
Investments in bonds.....	72,150.00	71,350.00
	\$ 6,373,817.35	\$ 6,617,827.88
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	67,852.28	83,819.04
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES (See Note I):		
Investments in and advances to wholly owned subsidiaries (exclusive of Thunder Bay Paper Co., Limited and The G. H. Mead Company).....	\$37,646,155.09	\$37,863,213.70
Add—Thunder Bay Paper Co., Limited.....	8,139,726.25	7,924,305.48
	\$45,785,881.34	\$45,787,519.18
Less—Amount included with Receiver's Current Assets above, represented by current assets (including those created from Receiver's advances) as shown by the books of subsidiary companies	867,591.83	1,504,855.53
	\$44,918,289.51	\$44,282,663.65
Investment by Receiver in purchase of shares of The G. H. Mead Company.....	650,000.00	646,000.00
	45,568,289.51	44,928,663.65
Forward.....	\$52,009,959.14	\$51,630,310.57

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1936

(showing also for comparative purposes the assets and liabilities at December 31, 1935, as shown by the statement thereof contained in the fourth report of the Receiver and Manager dated May 12, 1936, after re-classifying certain accounts to make the figures comparable with those at December 31, 1936.)

LIABILITIES

	December 31, 1935	December 31, 1936
SUNDRY LIABILITIES OF RECEIVER:		
Wages accrued and payable.....	\$ 64,383.36	\$ 85,874.65
Sundry accounts payable.....	538,583.44	640,651.85
Receiver's certificates (secured).....	4,008,000.00	3,650,000.00
	<u>\$ 4,610,966.80</u>	<u>\$ 4,376,526.50</u>

AMOUNTS OWING ON CONTRACT TO
PURCHASE SHARES OF THUNDER BAY
PAPER CO., LIMITED.....
GENERAL CREDITORS' CLAIMS IN-
CURRED PRIOR TO RECEIVERSHIP.....

Forward.....

2,727,916.67

352,584.37

\$ 7,691,467.84

—

341,382.15

\$ 4,717,908.65

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

	December 31, 1935	December 31, 1936
FORWARD	\$52,009,959.14	\$51,630,310.57
INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES:		
Shares of Provincial Paper, Limited at arbitrary value of.....	\$ 1,500,000.00	\$ 1,500,000.00
Miscellaneous, less reserves.....	613.04	637.00
	<u>1,500,613.04</u>	<u>1,500,637.00</u>
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATERPOWERS, TOWNSITES AND BUILDINGS:		
(after deducting reserves for depreciation created prior to Receivership).....	48,258,437.47	48,348,565.21
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED:		
(after deducting depletion and other reserves).....	19,939,429.08	19,923,509.48
REAL ESTATE AND OFFICE BUILDINGS	327,004.34	327,052.12
CHATELS AND EQUIPMENT.....	32,029.40	26,794.75
PREPAID EXPENSES.....	173,120.77	198,980.45
	<u>\$122,240,593.24</u>	<u>\$121,955,849.58</u>

NOTES—

- I.—With the object of showing the net amount of the Investments in and Advances to wholly owned Subsidiary Companies, the advances and charges by the Abitibi Company and by the Receiver and Manager of the Abitibi Company to such subsidiaries are added to and grouped with the investments in the subsidiaries; similarly the accounts payable to the subsidiaries are deducted from the investments in the securities thereof. During the period of the receivership the Receiver and Manager has advanced \$3,454,352.49 to subsidiary companies to cover losses in operations and/or costs of carrying shut-down mills—also to permit such companies to liquidate liabilities and to purchase pulpwood. At December 31, 1936, the Receiver and Manager was indebted to other subsidiaries for \$847,201.28, chiefly for power supplied.
- II.—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931.
Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1936

	LIABILITIES	
	December 31, 1935	December 31, 1936
FORWARD	\$ 7,691,467.84	\$ 4,717,908.65
RESERVE FOR CONTINGENCIES.....	23,704.72	23,704.72
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:		
Outstanding.....	\$48,267,000.00	\$48,267,000.00
Interest accrued to September 10, 1932.....	1,877,050.00	1,877,050.00
Reserve for tax rebates.....	17,636.41	17,636.41
	50,161,686.41	50,161,686.41
CAPITAL STOCK:		
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each.....	\$ 1,000,000.00	\$ 1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 779 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited).....	34,881,800.00	34,881,800.00
1,088,117 shares Common Stock without nominal or par value (including 1,883 shares deposited for exchange of shares of subsidiary companies).....	18,964,935.43	18,964,935.43
	54,846,735.43	54,846,735.43
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP.....	6,321,323.67	6,762,276.95
AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVERSHIP PERIOD:		
As at December 31, 1935.....	\$ 3,195,675.17	\$ 3,195,675.17
Sundry adjustments applicable to operations during receivership period up to December 31, 1935.....	—	62,673.49
For year ending December 31, 1936..	—	2,185,188.76
	3,195,675.17	5,443,537.42
	<u>\$122,240,593.24</u>	<u>\$121,955,849.58</u>

CONTINGENT AND CONTRACTUAL LIABILITIES OUTSTANDING AND INCURRED PRIOR TO RECEIVERSHIP:

1. Obligations in connection with subscription for shares of Newsprint Bond & Share Company.
2. Obligations in connection with Ontario Power Service Corporation Limited.
3. Possible obligation for purchase of power from The Hydro-Electric Power Commission of Ontario.

This Balance Sheet is issued subject to the important questions as to values of certain of the assets as referred to in our report dated January 30, 1937.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL SURPLUS FOR PERIOD PRIOR TO RECEIVERSHIP AS SHOWN
BY BALANCE SHEET AS AT DECEMBER 31, 1936

PARTICULARS	AMOUNT
Nominal Surplus for period prior to September 10, 1932, as per balance sheet at December 31, 1935.....	\$ 6,321,323.67
ADD:	
Adjustments of reserves provided as of September 10, 1932, in respect of:—	
Accounts receivable.....	\$200,000.00
Inventories of materials and supplies.....	143,442.86
Investments in shares of and advances to corporations other than wholly owned subsidiaries.....	97,510.42
	<u>440,953.28</u>

NOMINAL SURPLUS FOR PERIOD PRIOR TO SEPTEMBER 10, 1932 AS PER BALANCE SHEET AS AT DECEMBER 31, 1936	<u>\$ 6,762,276.95</u>
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IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING THE RESULTS FROM OPERATIONS FOR THE YEAR ENDING
DECEMBER 31, 1936

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

PARTICULARS		AMOUNT
INCOME:		
Sales of newsprint and pulp.....	\$14,662,751.65	
Sales of power.....	312,134.12	
	\$14,974,885.77	
Less—Operating costs, including administration, superintendence, selling and general expenses, but before providing for deprecia- tion and bond interest.....	12,052,486.11	
	\$ 2,922,399.66	
Deduct—Discount on U.S. funds (net).....	3,221.16	
		\$2,919,178.50
ADD:		
Interest and discount earned (net).....	\$ 46,216.66	
Sundry minor operating profits.....	21,774.19	
		67,990.85
		\$2,987,169.35
DEDUCT:		
Interest on contract covering purchase of shares of Thunder Bay Paper Co., Limited.....	\$ 40,918.75	
Cost of carrying idle mills and timber concessions tributary thereto:		
Mill idle costs including caretaking and insurance.....	\$193,687.45	
Taxes on mills and townsites.....	78,223.26	
Timber concessions—taxes, licenses and fees.....	83,403.96	
	355,314.67	
Interest on Receiver's certificates and overdraft.....	229,683.12	
Cost of issue of Receiver's fourth report.....	3,113.70	
Provision for legal and audit expenses.....	48,000.00	
Paid to Receiver in respect of remuneration.....	48,000.00	
Provision for U.S. Federal income taxes on profits of The G. H. Mead Company.....	21,664.47	
		746,694.71
		\$2,240,474.64
DEDUCT:		
Cost of obtaining special engineering reports under authority of Court	\$ 53,184.68	
Expenses of Liquidator.....	2,101.20	
		55,285.88
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST.....		\$2,185,188.76

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

PINE FALLS HOTEL COMPANY LIMITED

PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 9,748.90	
Sundry accounts receivable, less reserves.....	73,455.42	
Receivable from The G. H. Mead Company for newsprint shipments.....	179,245.96	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserves, as certified to by responsible officials of the company, and expenditures on logging operations.....	416,111.64	
		\$ 678,561.92

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 5,705.11	
Claims.....	7,333.26	
Unexpired insurance, royalty charges, etc.....	7,481.81	
		20,520.18

FIXED ASSETS :

Plant, machinery and equipment, at cost, including therein expenditures on preliminary development of project, premiums paid on acquisition of stock of predecessor company, etc.....	\$ 9,903,984.46	
Lands, timber limits, undeveloped water power, etc., at valuation placed thereon by the management at inception of company plus cost of surveys and timber limit deposit with government..	6,130,101.61	
		16,034,086.07

\$16,733,168.17

NOTE—Investments in and advances to Manitoba Paper Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1935	As at December 31, 1936
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,011,562.50	\$ 7,011,562.50
Capital Stock (35,000 shares).....	1,500,000.00	1,500,000.00
Balance in Earned Surplus Account.....	2,136,098.15	2,383,236.16
	\$10,647,660.65	\$10,894,798.66
Add—Balances owing by Manitoba Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	1,591,926.58	1,591,926.58
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	624,364.74	298,706.73
	<u>\$12,863,951.97</u>	<u>\$12,785,431.97</u>

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

PINE FALLS HOTEL COMPANY LIMITED

PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 108,735.69	
TAXES DUE AND ACCRUED.....	269.60	
		\$ 109,005.29
OWING TO AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited.....	\$1,591,926.58	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for advances to enable Manitoba Paper Company, Limited to liquidate liabilities, to meet expenses of carrying shut-down properties, etc., and to provide funds for operations.....	298,706.73	
		1,890,633.31
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968.....	\$6,500,000.00	
Due June 1, 1971.....	425,000.00	
	\$6,925,000.00	
Interest accrued thereon to August 31, 1932.....	86,562.50	
		7,011,562.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES :		
Depreciation.....	\$ 775,862.20	
Depletion.....	7,390.46	
		783,252.66
CAPITAL STOCK AND SURPLUS :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—35,000 shares.....	\$1,500,000.00	
Capital Surplus (no change during year).....	3,055,478.25	
Earned Surplus, as per statement attached.....	2,383,236.16	
		6,938,714.41
		<u>\$16,733,168.17</u>

APPROVED ON BEHALF OF THE BOARD :

L. R. WILSON, Director

W. H. SMITH, Director

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of the Manitoba Paper Company, Limited and its subsidiary companies for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1936 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of plant, machinery and equipment or depletion of timber limits. Subject to these remarks, and to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet as at December 31, 1936 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, January 30, 1937.

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Surplus at December 31, 1935.....	\$2,136,098.15
ADD : Profit for the year ending December 31, 1936, before providing for depreciation and bond interest (after charging executive salaries as represented by amounts paid to officers \$12,150.00 and legal fees \$52.45).....	247,138.01
BALANCE AT DECEMBER 31, 1936.....	<u>\$2,383,236.16</u>

STE. ANNE PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$	4,442.54	
Sundry accounts receivable, less reserves.....		487.22	
Inventories of pulpwood, materials and supplies as shown by the books, valued on the basis of cost less write-downs and reserves to reduce to replacement values, as certified to by responsible officials of the company, and expenditures on logging operations		411,763.88	\$ 416,693.64

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$	31,914.73	
Unexpired insurance, royalty charges, etc.....		25,573.65	57,488.38

FIXED ASSETS :

Plant, machinery and equipment.....	\$	9,424,172.61	
Lands, timber limits, and cutting rights.....		4,602,975.00	14,027,147.61

TOTAL ASSETS..... \$14,501,329.63

DEFICIT, as per statement attached..... 2,051,799.11

\$16,553,128.74

NOTE—Investments in and advances to Ste. Anne Paper Company, Limited and its subsidiary companies are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1935	As at December 31, 1936
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,993,687.50	\$ 7,993,687.50
Capital Stock (100,000 shares).....	500,000.00	500,000.00
	\$ 8,493,687.50	\$ 8,493,687.50
Less—Balance in Deficit Account.....	1,912,083.22	2,051,799.11
	\$ 6,581,604.28	\$ 6,441,888.39
Add—Balances owing by Ste. Anne Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	5,121,605.27	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	549,780.27	976,049.05
	<u>\$12,252,989.82</u>	<u>\$12,539,542.71</u>

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	38,013.86	
OWING TO AFFILIATED COMPANY :			
Abitibi Power & Paper Company, Limited.....	\$	5,121,605.27	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—for advances to enable Ste. Anne Paper Company, Limited and its subsidiaries to liquidate liabilities, to meet expenses of carrying shut-down properties and for improvements and the purchase of wood.....		976,049.05	6,097,654.32
FUNDED DEBT :			
5% First Mortgage Gold Bonds :			
Due June 1, 1968.....	\$	7,500,000.00	
Due June 1, 1971.....		395,000.00	
		\$7,895,000.00	
Interest accrued thereon to August 31, 1932.....		98,687.50	7,993,687.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.			
RESERVES :			
Depreciation.....	\$	651,628.20	
Depletion.....		226,640.26	878,268.46
CAPITAL STOCK AND SURPLUS :			
(before considering Deficit—as per contra) :			
Common Shares—			
Represented by shares without nominal or par value			
Authorized and issued—100,000 shares.....	\$	500,000.00	
Capital Surplus (no change during year).....		1,045,504.60	1,545,504.60
			<u>\$16,553,128.74</u>

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of the Ste. Anne Paper Company, Limited and its subsidiary companies St. Anne Power Company and Baie St. Paul Lumber Company, Limited for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1936 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Subject to these remarks, and to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet at December 31, 1936 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, January 30, 1937.

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
 ST. ANNE POWER COMPANY
 BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED DEFICIT ACCOUNT
 FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Deficit at December 31, 1935.....	\$1,912,083.22
Add : Expenses incurred in carrying shut-down properties for the year ending December 31, 1936, before providing for depreciation or bond interest.....	139,715.89
DEFICIT AT DECEMBER 31, 1936.....	<u>\$2,051,799.11</u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$	750.00
AMOUNT DUE BY G. T. CLARKSON, RECEIVER AND MANAGER OF ABITIBI POWER & PAPER COMPANY, LIMITED— For electric power supplied and collections retained.....		208,696.14
SUNDRY ACCOUNTS RECEIVABLE.....		1,065.40
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserves).....		26,887.42
DEFERRED CHARGES: Unexpired insurance, etc.....		1,045.23
FIXED ASSETS, at cost:		
Power plant, transmission line, etc.....	\$7,818,919.83	
Speeders, camp buildings and equipment.....	39,819.65	
Horses, vehicles and livestock.....	1,037.36	
		7,859,776.84
		<u>\$8,098,221.03</u>

NOTE—Investments in and advances to Abitibi Electric Development Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1935	As at December 31, 1936
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$5,219,437.50	\$5,219,437.50
Capital Stock (20,005 shares).....	100,005.00	100,005.00
Balance in Earned Surplus Account.....	1,430,216.60	1,441,502.60
	\$6,749,659.10	\$6,760,945.10
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited.....	1,332,860.85	1,332,860.85
	\$8,082,519.95	\$8,093,805.95
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	205,859.39	208,696.14
	<u>\$7,876,660.56</u>	<u>\$7,885,109.81</u>

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 4,415.08	
ABITIBI POWER & PAPER COMPANY, LIMITED.....	1,332,860.85	
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968.....	\$5,000,000.00	
Due June 1, 1971.....	155,000.00	
	\$5,155,000.00	
Interest accrued thereon to August 31, 1932.....	64,437.50	
		5,219,437.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
CAPITAL STOCK AND SURPLUS :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized—50,000 shares		
Issued— 20,005 shares.....	\$ 100,005.00	
Earned Surplus—		
As per statement attached.....	1,441,502.60	
		1,541,507.60
NOTE—Provision has not been made for any possible liability under arrangement to take power from The Hydro-Electric Power Commission of Ontario.		
		<u>\$8,098,221.03</u>

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of the Abitibi Electric Development Company, Limited for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provision has been made for interest accrued during the period from September 1, 1932 to December 31, 1936 on the 5% First Mortgage Gold Bonds outstanding, nor has any reserve been made for depreciation of plant and equipment. Subject thereto, we report that, in our opinion, the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, January 30, 1937.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Surplus at December 31, 1935.....	\$1,430,216.60
ADD :	
Profit from operations for the year ending December 31, 1936, before providing for depreciation or bond interest—	
Sales.....	\$121,824.61
Operating expenses.....	<u>110,538.61</u>
	11,286.00
BALANCE AT DECEMBER 31, 1936.....	<u><u>\$1,441,502.60</u></u>

KAMINISTIQUEA POWER CO., LIMITED

Balance Sheet and
Profit and Loss Account

KAMINISTIKUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 1,000.00	
SUNDRY CUSTOMERS' ACCOUNTS, less reserves.....	7,324.06	
	<u>8,324.06</u>	\$ 8,324.06
INVESTMENT, less reserve :		
Fort William Hotel Company Limited.....		1.00
OWING BY AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited—		
Balance owing in respect of period prior to Receivership.....	\$ 428,493.38	
Portion of power billings during period September 10, 1932 to		
December 31, 1936, being the excess of charges under power		
contract, over power used which is charged to Receiver and		
Manager as below.....	793,618.71	
	<u>\$1,222,112.09</u>	
Amount owing by G. T. Clarkson, Receiver and Manager of Abitibi		
Power & Paper Company, Limited for power used and for		
collections retained, etc.....	587,570.27	
		<u>1,809,682.36</u>
DEFERRED CHARGES :		
Unexpired insurance, etc.....		1,183.60
FIXED ASSETS :		
Waterpowers, lands, buildings, etc., at appraised value as reported		
by Walter J. Francis & Co., Engineers, as at September 1925,		
plus subsequent additions, at cost.....		6,379,892.28
		<u>\$8,199,083.30</u>

NOTE—Investments in and advances to Kaministiquia Power Co., Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1935	As at December 31, 1936
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August		
31, 1932.....	\$3,543,750.00	\$3,543,750.00
Capital Stock (40,000 shares).....	950,000.00	950,000.00
Balance in Earned Surplus Account.....	1,626,532.54	1,925,789.78
	<u>\$6,120,282.54</u>	<u>\$6,419,539.78</u>
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	1,035,030.93	1,222,112.09
Receiver and Manager of Abitibi Power & Paper Company,		
Limited.....	471,808.71	587,570.27
	<u>\$4,613,442.90</u>	<u>\$4,609,857.42</u>

KAMINISTQUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$	2,191.93
FUNDED DEBT :			
5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00		
Interest accrued thereon to August 31, 1932.....	43,750.00		
			3,543,750.00
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company may be in technical default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.			
RESERVE FOR DEPRECIATION OF PLANT.....			1,179,964.51
CAPITAL STOCK AND SURPLUS :			
Represented by shares without nominal or par value			
Authorized and issued—			
Class "A" Non-Voting 30,750 shares			
Class "B" Voting 9,250 shares.....	\$ 950,000.00		
Capital Surplus (no change during year).....	597,387.08		
			\$1,547,387.08
Earned Surplus—			
As per statement attached.....	1,925,789.78		
			3,473,176.86
			<u>\$8,199,083.30</u>

APPROVED ON BEHALF OF THE BOARD :

L. R. WILSON, Director

W. H. SMITH, Director

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of the Kaministiquia Power Co., Limited for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provisions have been made during the period from September 1, 1932 to December 31, 1936 for interest accruing on the 5% First Mortgage Gold Bonds outstanding nor for depreciation of fixed assets, and no provision has been established against the account receivable from Abitibi Power & Paper Company, Limited, which if not collected will reduce the surplus shown by the balance sheet. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1936 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,

Auditors.

TORONTO, January 30, 1937.

KAMINISTIQUE POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Surplus at December 31, 1935.....	\$1,626,532.54
ADD:	
Profit from operations for the year ending December 31, 1936, before providing for depreciation or bond interest—	
Sales.....	\$377,390.67
Operating expenses (including executive salaries as represented by amounts paid to officers \$7,020.00).....	78,133.43
	<u>299,257.24</u>
BALANCE AT DECEMBER 31, 1936.....	<u><u>\$1,925,789.78</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

SUNDRY ASSETS :

Cash on hand and on deposit.....	\$ 500.00	
Accounts receivable.....	6,005.80	
Inventory of coal, etc., at cost.....	730.52	
	<u> </u>	\$ 7,236.32

OWING BY AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	48,066.19	
	<u> </u>	145,526.31

DEFERRED CHARGES :

Unexpired insurance.....	724.53
--------------------------	--------

FIXED ASSETS :

Rolling stock, rails, equipment, etc.....	242,523.30
	<u> </u>
	<u><u>\$396,010.46</u></u>

NOTE—The investment in and advances to Mattagami Railroad Company are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1935	As at December 31, 1936
Investment—		
Capital Stock (2,500 shares).....	\$250,000.00	\$250,000.00
Balance in Earned Surplus Account.....	123,207.90	144,780.86
	<u>\$373,207.90</u>	<u>\$394,780.86</u>
Less—Balances owing to Mattagami Railroad Company by—		
Abitibi Power & Paper Company, Limited.....	97,460.12	97,460.12
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	29,181.68	48,066.19
	<u>\$246,566.10</u>	<u>\$249,254.55</u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 1,229.60
CAPITAL STOCK AND SURPLUS :		
Common Shares:		
Authorized—		
10,000 shares of \$100.00 each.....	\$1,000,000.00	
Issued—		
2,500 shares of \$100.00 each.....	\$ 250,000.00	
Earned Surplus—		
As per statement attached.....	144,780.86	
		394,780.86
		<u>\$396,010.46</u>

G. T. CLARKSON, Receiver and Manager,
 ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of the Mattagami Railroad Company for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provision has been established against the account receivable from Abitibi Power & Paper Company, Limited, which if not collected will reduce the surplus shown by the balance sheet, nor has any reserve been made for depreciation of rolling stock, rails and equipment, etc. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1936 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
 Auditors.

TORONTO, January 30, 1937.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Surplus at December 31, 1935.....	\$123,207.90
Add :	
Profit from operations for the year ending December 31, 1936, before providing for depreciation :	
Revenue.....	\$54,551.76
Operating expenditure.....	32,978.80
	<u>21,572.96</u>
BALANCE AT DECEMBER 31, 1936.....	<u><u>\$144,780.86</u></u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and
Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00	
Customers' accounts, less reserves.....	42,903.44	
Receivable from The G. H. Mead Company for newsprint shipments..	209,559.00	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost, as certified to by responsible officials of the company, and expenditures on logging operations.....	464,999.14	
		\$ 718,461.58

DEFERRED CHARGES :

Unexpired insurance and other prepaid expenses.....	6,852.27
---	----------

FIXED ASSETS, at cost:

Cash deposit on timber limit.....	\$ 50,000.00	
Real estate.....	44,812.98	
Plant, machinery and equipment.....	5,854,713.02	
Other fixtures.....	2,494.68	
		5,952,020.68

\$6,677,334.53

NOTE—The investment in and advances to Thunder Bay Paper Co., Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1935	As at December 31, 1936
Investment in shares and advances.....	\$ 8,534,615.54	\$11,102,071.01
Balance owing on contract for purchase of such shares.....	2,727,916.67	—
	<u>\$11,262,532.21</u>	<u>\$11,102,071.01</u>
<i>Less</i> —Amounts written off :		
For period prior to Receivership.....	\$ 2,087,208.44	\$ 2,087,208.44
For operating losses and costs of carrying properties shut down during period of Receivership.....	1,035,597.52	1,090,557.09
	<u>\$ 3,122,805.96</u>	<u>\$ 3,177,765.53</u>
Net balance carried as investment and advances	<u>\$ 8,139,726.25</u>	<u>\$ 7,924,305.48</u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 161,842.46
OWING TO AFFILIATED COMPANY:		
Abitibi Power & Paper Company, Limited.....	\$ 194,367.16	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited, for advances to enable Thunder Bay Paper Co., Limited to liquidate liabilities, to meet expenses of carrying shut-down properties and to provide funds for operations.....	2,179,50.71	2,373,963.87
RESERVE FOR DEPRECIATION.....		615,491.91
CAPITAL STOCK :		
Common shares :		
Authorized and issued—		
20,000 shares of \$100.00 each.....	\$2,000,000.00	
Capital Surplus (no change during year).....	3,253,438.15	
	\$5,253,438.15	
Deduct—Deficit as per statement attached.....	1,727,401.86	3,526,036.29
CONTINGENT AND CONTRACTUAL LIABILITY :		
Obligation to Dominion Government in connection with the completion of dock construction at the Bare Point Mill, Port Arthur.		
		<u>\$6,677,334.53</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Thunder Bay Paper Co., Limited for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. No provision was made during the year in respect of depreciation of plant and equipment. The provisions for depreciation made during recent years were based on the tonnage of newsprint produced and, as a result of the low volume of production during these years, the total depreciation provided, has, in our opinion, been inadequate. Subject to the foregoing remarks, we report that, in our opinion, the above balance sheet is drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1936 according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, January 30, 1937.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Deficit at December 31, 1935.....	\$1,672,442.29
DEDUCT :	
Interest adjustment applicable to prior years.....	7,775.03
	<u>\$1,664,667.26</u>
ADD :	
Loss for the year ending December 31, 1936, before providing for depreciation.....	62,734.60
DEFICIT AT DECEMBER 31, 1936.....	<u><u>\$1,727,401.86</u></u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1936

ASSETS

CURRENT ASSETS :

Cash on hand and in banks.....	\$390,068.23	
Bonds of Dominion and Provincial governments of a par value of \$400,000.00 (market value \$403,125.00).....	393,855.00	
Advances to Receiver and Manager of Abitibi Power & Paper Company, Limited, due March 31, 1937 (secured by Receiver's certificate).....	300,000.00	
Accounts and bills receivable, less reserve for doubtful accounts	726,267.54	
Inventories of paper, stock, supplies and pulpwood at the lower of cost or market, as determined and certified to by responsible officials, including advances on 1937 woods operations.....	976,755.41	
	<u> </u>	\$2,786,946.18

OTHER ASSETS :

Government deposit on timber limits.....	\$ 3,000.00	
Investments in subsidiary and other companies.....	181,275.31	
	<u> </u>	184,275.31

PROPERTY AND PLANT :

Real estate, buildings, equipment, etc.....	9,459,671.90
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DEFERRED CHARGES :

Installation of equipment and unexpired insurance.....	11,615.67
--	-----------

\$12,442,509.06

NOTE—The investment in shares of Provincial Paper, Limited is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1935	As at December 31, 1936
Investments in Shares of and Advances to Corporations other than Wholly Owned Subsidiaries—		
100,000 shares common stock without nominal or par value, carried at arbitrary value of.....	\$1,500,000.00	\$1,500,000.00
	<u> </u>	<u> </u>

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1936

LIABILITIES

CURRENT LIABILITIES :

Accounts payable, accrued charges, etc.....	\$ 196,736.47	
Dividend on preferred stock— $1\frac{3}{4}\%$ payable January 2, 1937.....	61,250.00	
Bond interest accrued.....	35,287.07	
Reserve for Dominion and Provincial income taxes.....	28,000.00	
		\$ 321,273.54

MORTGAGE DEBT :

$5\frac{1}{2}\%$ First Mortgage Sinking Fund Bonds, due 1947 :		
Authorized.....	\$10,000,000.00	
Issued.....	\$5,300,000.00	
Less—Redeemed and cancelled.....	1,425,000.00	
	\$3,875,000.00	
Less—Purchased and held by the company.....	25,500.00	
		3,849,500.00

RESERVE FOR DEPRECIATION OF PLANT AND BUILDINGS..... 2,900,000.00

GENERAL RESERVES..... 771,588.40

CAPITAL STOCK :

Authorized and issued—		
35,000 shares 7% cumulative preferred stock of \$100.00 each.....	\$3,500,000.00	
100,000 shares common stock without nominal or par value.....	100,000.00	
		3,600,000.00

SURPLUS..... 1,000,147.12

\$12,442,509.06

AUDITORS' REPORT TO THE SHAREHOLDERS :

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1936, and have obtained all the information and explanations which we have required. An amount of \$100,000.00 has been provided from Profit and Loss Account and the sum of \$225,000.00 has been transferred from General Reserve in respect of depreciation of plant during the year; on this basis, we report that, in our opinion, the above balance sheet at December 31, 1936, exhibits a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, January 30, 1937.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1936

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1936, including income from investments, but before providing for the undernoted charges.....	\$ 748,103.02
DEDUCT :	
Provision for doubtful accounts.....	\$ 10,000.00
Provision for depreciation.....	100,000.00
Interest on mortgage debt (net).....	211,722.50
	<u>321,722.50</u>
Profit for the year, before providing for income taxes.....	\$ 426,380.52
DEDUCT :	
Provision for Dominion and Provincial income taxes.....	28,000.00
Net Profit for the year.....	<u>\$ 398,380.52</u>
ADD :	
Surplus as at December 31, 1935.....	846,766.60
	<u>\$1,245,147.12</u>
DEDUCT :	
Dividends on 7% Cumulative preferred stock.....	245,000.00
	<u>\$1,000,147.12</u>

